

BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

IN THE MATTER OF:

DIRECT INSURANCE COMPANY

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No.: 07-041

RECEIVED

JUL 05 2007

Dept. Of Commerce & Insurance
Company Examinations

ORDER ADOPTING EXAMINATION REPORT WITH DIRECTIVES

Pursuant to Tenn. Code Ann. §§ 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (hereinafter also referred to as the "Division") has examined certain affairs of Direct Insurance Company (hereinafter referred to as the "Company"), an insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31st day of December, 2005, the examiner-in-charge filed with the Division, on the 8th day of June, 2007, a verified, written report on examination, and a copy of that report has been sent to the Company. (The Report on Examination of Direct Insurance Company is attached hereto and marked as Exhibit A). The Division received written rebuttal to said examination report from the Company on June 21, 2007. (The written rebuttal is attached hereto and marked as Exhibit B).

Pursuant to Tenn. Code Ann. § 56-1-411, said examination report regarding the affairs of the Company, filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 8th day of June, 2007, is hereby **ADOPTED** as filed with the following **DIRECTIVES**:

1. The Company is **DIRECTED** to exercise diligence in setting up its custodial accounts in accordance with Tenn. Comp. R. & Regs. 0780-1-46 (1999) by maintaining custodial agreements that comply with said rule.

2. The Company is **DIRECTED** to obtain virus protection software for all of its computers that connect to the Company's Information Systems.

The company shall comply with the directives contained in this order within thirty (30) days of its entry.

The adoption of this examination report shall not preclude the Department from imposing sanctions against the Company for potential violations of the Tennessee Insurance Law which may be revealed in the examination report, it being the intent of this Order Adopting Examination Report with Directives merely to adopt the examination report filed by the examiner-in-charge.

It is so **ORDERED**.

ENTERED this the 30th day of June, 2007.

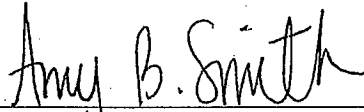
Leslie A. Newman
Leslie A. Newman, Commissioner
Department of Commerce and Insurance
State of Tennessee

PREPARED FOR ENTRY:

Amy B. Smith
Amy B. Smith (BPR# 024713)
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report as Filed has been messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, Philip Blustein, Chief Examiner, Department of Commerce and Insurance, and Louise Booth, Financial Affairs Director, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Direct Insurance Company, 1281 Murfreesboro Road, Nashville, Tennessee 37217, on this 3rd day of July, 2007.

A handwritten signature in cursive script that reads "Amy B. Smith". The signature is written in dark ink and is positioned above a horizontal line.

Amy B. Smith
Certifying Attorney